



School Business Alert

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Click to access the
[March School
Leader Update](#)

Indirect Costs

This article is another in a series of conversations about use of the federal indirect cost rate. We recently had a situation where a district was charging its food and nutrition program “rent” for space in the district building dedicated to the hot lunch program. We assume this was well intended – that the district wanted to charge some legitimate non-program costs to the federal program, like utilities or waste disposal – but this method of doing so is a no-no. Districts cannot rent space to themselves. The hot lunch program is a district program, in this case housed in a district building. Non-program costs associated with the delivery of that program are what the General Fund is for.

That said, the proper methodology of attempting to cover non-program costs is to capture indirect costs from the federal funds for allowable expenditures. You can find guidance on how this works, and what is and is not allowable, [here](#). In Iowa, the Department of Education (Department) calculates the restricted and unrestricted indirect cost rate for each school district and AEA each year. Those rates can be found on the previous link as well. Not all federal programs are the same, which is why cost allocating specific non-program costs to federal programs is difficult to do. For example, what specific space is allocated to federal Title IIA funding? The answer is really none. The only way this type of non-program expense cost allocation is allowable is if you treat all federal funds the same, which is why this type of direct cost allocation is virtually impossible to do. It is much easier, however, to apply the appropriate type of indirect cost rate to expenditures for that program and to use the funds captured to cover generalized non-program expenditures. This is why indirect cost rates exist. Restricted rate applies to funds that have supplement not supplant provisions. If the funds don't have that provision, use the unrestricted rate. The district has discretion of deciding whether or not to apply indirect costs to a given federal fund – nothing compels you to capture indirect costs from every federal fund.

Indirect cost rates cannot be applied to any state funding. This is why you have a General Fund – to cover the generalized costs of program delivery that go beyond what categorical (local, state and federal) funds allow. In some cases, like Statewide Voluntary Preschool, statute permits the capture of a percentage of funding for program management, etc. In those cases, the district can use the administrative funds as designated in law; but, unless this is specifically allowed, Dillon's rule would say the district can only use the funding for purposes described in law. Again, this is why the General Fund exists.

With GASB 68 adjustments and hot lunch program funds teetering on negative balance, we understand why capturing indirect costs needs to be a thoughtful and deliberate decision. But if you are cost allocating non-program costs to federal program funding, you are reducing the available funds for programming and adding to the total costs of the program, which could also push the fund into a negative position. Again, non-program costs are what the state general fund is designed to cover. If you have additional interest in this topic or questions, please contact [Jeff Berger](#), 515.281.3968.

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- ◇ Updated Student Activity Fund Guidance
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Updated Student Activity Fund Guidance

Within the week, the Department will be issuing updated guidance related to the Student Activity Fund. This updated guidance coalesces multiple prior existing documents, hearing decisions, declaratory orders, and technical assistance into one (large) document. The Department spent the better part of a year working on this update and involved multiple groups to vet the responses, including groups of school business officials and school administrators, representatives of the activity and athletic associations and unions, members of the Finance Roundtable, and multiple internal staff members. While we are confident this document covers more ground than ever before, if there is one thing we've come to understand clearly about the Student Activity Fund is that there is always another twist to the uses of funding that is new or different. A critical piece to keep in mind as you work through the document is the principle in play for a given topic. For example, a theme across multiple areas is "establishing a public purpose." To fully understand and apply the guidance consistently, the person reading the guidance must also be clear on what is meant (and what is not meant) by establishing a public purpose. In that context, the guidance can only help you to the point that you understand and accept the overarching principles in play.

The table of contents of the updated document will show that we've expanded coverage of this guidance in certain areas:

- Introduction
- Student Activity Fund Purpose and Creation
- Accounting
- Balancing Negative Accounts
- Auditing
- Tournaments
- Exclusive Vendor Contracts and Sponsorships
- Uses of Funds
- Trademarks
- Booster Clubs
- Camps and Clinics
 - ◊ General Guidance: District-sponsored Camps/Clinics
 - ◊ General Guidance: Privately-sponsored Camps/Clinics Using District Facilities
- Coaching Contact Out of Season
- Charges to Students
- Supporting Low Socioeconomic Status Students
- Construction and Facility Maintenance
- Fundraising
- Community Service Fundraising
- Shared Activity Program
- Staff
 - ◊ Paid Staff
 - ◊ Unpaid Staff or Volunteers
- Professional Development
- Transportation
- Travel/Trips
- Uniforms/Clothing
- Vendor Incentives
- Appendix A – Statutory References and Definitions

New Points of emphasis include:

- Fundraisers and the Authority for the Funds Raised
- How an Expenditure Meets the Public Purpose Test
- Scholarships or Rewards to Individual Adults or Students
- Trademarking and Resulting Revenues
- Directing Donations for Specific Purpose
- Out of Season Individual and Team Camps
- Charges to Students - What Can and Cannot be Charged
- Cheerleading, Dance Teams, and Show Choirs

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- District-sponsored vs. District-approved Activities
- What is a Cash Equivalent
- When Do We Use General Fund vs. Activity Fund

This updated guidance will surely prompt a series of additional conversations locally and at the state level about how these funds are used. The general reaction to this document has been “we appreciate having this in writing.” We understand that does not translate to “we agree with this” or “all of our questions are answered.” This will be a continued topic of conversation over the next year as we clarify implementing the provisions of this updated guidance to ensure our uses of the Student Activity Fund are legal. If you have further questions or concerns, contact [Jeff Berger](#), 515.281.3968.

Online registration for the April 27-29, 2016, Iowa School Business Management Academy is now open on the Academy's [website](#)

Be sure to save by registering on or before April 4!”

New/Updated Data Summaries and Reports

Several new or updated data summaries and reports have been posted to the Department's website:

[Reorganization and Dissolution History \(updated to reflect changes effective 7/1/16\)](#)

[FY15 Carryforward of Categorical Funding](#)

[FY15 SAVE-SILO Legislative Report](#)

[FY15 School Association Legislative Report](#)

[2015-2016 IDEA Part B LEA Awards](#)

[2015-2016 State Allocation and Selected Federal Allocations](#)

[2015-2016 District AEA Flowthrough Amounts](#)

[2015-2016 Sources for Local Projects](#)

[2014-2015 Voter Approved PPEL Elections Results](#)

[2014-2015 School Bond Election Results](#)

[2014-2015 Certified Annual Financial Report](#)

[Bus Inspection Results \(updated to include results by semester for the last three school years\)](#)

Categorical Funding

The FY15 ending balances for categorical funding for state and local projects have been posted to the web.

See [Categorical Funding](#).

Explanation of March 2016 Special Education Excess Positive Balance Deduction from State Payment to School Districts

If you had a 2014-2015 special education excess positive balance, this amount is being deducted beginning with the March state foundation aid payment. These deductions will continue through the end of the fiscal year. Districts without the excess positive balance may also see a small change in their state aid payment (one-dollar increase or decrease) due to the March recalculation. Payment summaries can be found in the [State Payment Information FY16](#).

Questions regarding this deduction can be directed to: [Lisa Oakley](#), 515.281.8485

Upcoming Deadlines

Last date to submit LEA electronic annual audit of prior year to DE and Auditor of State's Office	3-31-16
Board resolutions for the budget guarantee due to the Department of Management (DOM)	4-15-16
Copy of ballot question or resolution for new VPPEL (that is not 100% property tax) or ISL to DOM	4-15-16
Electronic budget certification date (24.17)	4-15-16
Budget filed with control county auditor	4-15-16